

**STATEMENT OF POLICY REGARDING SPECIFICITY IN USE OF
PROCEEDS**

Amended 1997, 1999, and March 31, 2008

I. INTRODUCTION

This statement of policy applies to all applications to register by coordination or by qualification.

II. DEFINITIONS

This statement of policy uses the following definitions adopted by the North American Securities Administrators Association, Inc. (“NASAA”) in the NASAA Statement of Policy Regarding Corporate Securities Definitions:

Disclosure Document
Promoter

III. PROCEEDS DISCLOSURE

The issuer must disclose in the Disclosure Document for both the minimum and maximum amounts proposed, if applicable, the percentages and dollar amounts of the following, in a tabular form:

- A. The proceeds the issuer expects to receive from the offering;
- B. The purposes for which the issuer will use the proceeds;
- C. The estimated amount to be used for each purpose; and
- D. The order or priority in which the issuer will use the proceeds for the purposes stated.

IV. DISCLOSURE OF OTHER SOURCES OF FUNDS

The issuer must disclose in the Disclosure Document:

- A. The amounts of any funds to be raised from other sources to achieve the purposes stated;
- B. The sources of any additional funds; and
- C. Whether the sources are firm or contingent and, if contingent, an explanation of the contingency.

V. DISCLOSURE OF PROPERTY ACQUISITION

- A. If the issuer will use any part of the proceeds to acquire any property (including goodwill) otherwise than in the ordinary course of business, the issuer must disclose in the Disclosure Document:
1. the names and addresses of the vendors;
 2. the purchase price;
 3. the names of any persons who have received commissions in connection with the acquisition; and
 4. the amounts of any commissions and any other expense in connection with the acquisition (including the cost of borrowing money to finance the acquisition).
- B. If any part of the proceeds will be used to acquire property or a business that is not yet identified, the issuer must disclose in the Disclosure Document:
1. the type of property or business the issuer is seeking;
 2. how it will impact the issuer's core business; and
 3. the issuer's acquisition criteria.

VI. DISCLOSURE OF DEBT REPAYMENT

If the issuer plans to use any material part of the proceeds to discharge indebtedness, the Issuer must disclose in the Disclosure Document:

- A. The terms of the indebtedness, including interest rate;
- B. Whether the indebtedness includes unpaid salaries to Promoters; and
- C. If the indebtedness was incurred during the current or previous fiscal year, how the issuer used the proceeds of the indebtedness.

VII. FLEXIBILITY IN USE OF PROCEEDS

The issuer must not reserve more than 15% of the proceeds for working capital or general corporate purposes (or for any other unspecified use). If the issuer's business plans require flexibility in the use of unspecified proceeds, the issuer must:

- A. Disclose all potential uses of the proceeds with qualifying language that the uses may be subject to change; and
- B. Indicate the circumstances that may lead to reallocation and the potential areas of reallocation.

VIII. SUFFICIENCY OF FUNDS

The issuer must demonstrate that the offering proceeds, together with all other sources of financing currently available to the issuer, are sufficient to sustain the issuer's proposed activities. If the proceeds are insufficient to sustain the issuer's activities for at least 12 months following the offering, include in the Disclosure Document the appropriate risk disclosure.